Oil and Venezuela's Failed Coup

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Venezuela is one of the world's leading oil producers. For decades it has been a reliable source of oil to consumers in the western hemisphere and, in particular, to the United States. This makes it critical to examine the role that oil may have played in the failed coup d'état of April 11. This is especially important because since he took office in February 1999, President Hugo Chávez launched a reform process of Venezuela's oil policy, overturning the previous decade's process of "oil liberalization" and seeking to reinstate key aspects of traditional oil policy in Venezuela.

One of Chávez's first moves was to launch measures that would reestablish the preeminence of OPEC in managing the international oil market. When he came into office, international oil prices were at their lowest point in years, being the average price of Venezuela's export basket in February of $ 8.43 the barrel. The new government's policies saw quick results, as oil prices began to increase and OPEC again became an actor to reckon with. In recognition of Venezuela's role in this process, the second conference of OPEC members met in Caracas in September 2000, and Chávez's Minister of Energy and Mining, Alí Rodríguez, was named president and, later, general secretary of the organization.

Chávez's oil policy reform consists of four key elements. First, it seeks to reestablish a predominant role for the Executive Branch in the design and implementation of oil policy, through the Ministry of Energy and Mining. This challenged vested interests in Petróleos de Venezuela, the state-owned oil company known by its Spanish acronym Pdvsa, which had grown accustomed to taking the lead in defining oil policy in Venezuela.

Second, it seeks to guarantee that the state collects a greater share of oil revenues by increasing royalties on oil production rather then relying on income taxes. The objective is to revert a process of declining oil revenues for the Venezuelan state, a trend that had been exacerbated during the liberalization process.

Third, the reform seeks to strengthen OPEC and Venezuela's role as a key player in the organization, which the government sees as key to improving Venezuela's position in the world economy.

Finally, while not negating the role of the private sector in the oil industry, the reform process aims at stopping the trend toward the privatization of Pdvsa.

It is these latter two factors that, in our view, generated a great deal of tension between the Chávez government and the U.S. government, which we will discuss further below.

Despite the coherence of these reforms, the Chávez government has committed numerous mistakes in implementing them. The two laws passed to set the reform process in motion were essentially removed from public debate, and the government failed to build public support for them. In addition, in three years Chávez has named five presidents to lead Pdvsa, generating insecurity among the company's top management and workers. The naming of a new board of directors with Gastón Parra as president in February 2002 led to an open confrontation between the government and Pdvsa's top management, who alleged that by sidestepping the meritocracy, Chávez was violating the traditional criteria for naming the members of the company's board of directors. This led the Pdvsa leadership to call a strike that was backed by the country's key workers' and business federations, and that served as the platform for the attempted coup of April 11.

Behind this is, of course, a struggle for power. By refusing to cede its power over oil policy, the Pdvsa leadership was demonstrating its unwillingness to accept the government's decision to return control of oil policy to the Ministry of Energy and Mining. Pdvsa had become "a state within a state," and its top leaders were committed to block the reforms from altering this situation.

This led Pdvsa to play a key role in the events of early April that culminated in the failed coup d'état. The conflict over the company's leadership served as a justification to launch a general strike. The protest march programmed by the opposition on April 11 was supposed to end at the headquarters of Pdvsa in the district of Chuao, where the protest leaders irresponsibly decided to continue their march to the government palace with the explicit objective of "getting rid of Chávez."

Oil policy was central to the agenda of the short-lived interim government. The interim "president," Pedro Carmona Estanga, reinstated the previous president of Pdvsa, who had opposed the reform process and who promised to aggressively seek to recover Venezuela's market share, which would have led to a confrontation with OPEC and the subsequent weakening of the organization.

Also, Pdvsa's managers announced that there would be "not one more barrel of oil for Cuba"—a challenge to Venezuela's international agreements and an affirmation that the company, not the government, was in charge of the country's oil policy.

The U.S. government's position toward Chávez's reform was at best contradictory. Venezuela continued to be a reliable supplier of oil—on this point both countries saw eye to eye. Venezuelan oil would be difficult for the U.S. to replace, and for Venezuela, the U.S. is its principal client. As a producer of hydrocarbons, the U.S. benefited from Venezuela's bid to stabilize oil prices within the range established by OPEC, particularly because of the high cost of oil production in the U.S. At the same time, however, as a consumer nation, the U.S. frowns upon high oil prices. Yet it is no secret that the interests of the oil industry are well represented in the Bush administration, which is unlikely to pursue a policy that will result in decreasing oil prices. Thus the price of oil is not a significant source of tension between Washington and Caracas.

But there are oil-related issues on which the U.S. and Venezuela clash. The Chávez government has made a firm commitment to OPEC, and the renewed significance of the organization on the world stage is due in large part to Venezuela's oil policies. The strengthening of OPEC and its member organizations is a source of irritation for the U.S., not the least because some of its key members—Irak, Libya, Iran—are countries considered to be the principal enemies of the United States.

Furthermore, oil policy must be seen within the context of Chávez's larger political project. With all its problems, ambiguities, and weaknesses, it is a project that seeks to construct an alternative to neoliberal globalization. This is what makes Venezuela of such interest to groups in Latin America and throughout the world, and such a threat to the world's principal superpower. A company conducted by oil business managers, rather than oil political leaders committed to Chávez´s project, would be closer to US interests.